

CHAPTER XX.

BANKING IN JAPAN AND KOREA.

Early Japanese Experiments with Paper Money and with the American Banking System—The Reform of 1878 and the Creation of the Bank of Japan—How it Took up the Notes of the National Banks—Comprehensive Work of Count Matsukata—The Adoption of the Gold Standard in 1897—How the New Mechanism Bore the Strain of War with Russia—The Bank of Taiwan and the Monetary System of Korea.

THE Empire of Japan, after her introduction to western civilization and the settlement of her internal troubles, showed her admiration for things American by experimenting with government paper money and adopting the system of local national banks issuing notes on the security of the public debt. This system soon broke down and the far-sighted financial administration of Count Matsukata adopted the European system of a central bank of issue and supplemented it later by the introduction of the gold standard. It was by the aid of this reorganized monetary mechanism that Japan was enabled to enter upon the career of Oriental empire which resulted in her victories over Russia in 1904 and 1905 and the extension of her influence over Formosa and Korea.

Paper money was in use in Japan for many generations, but its recent history dates from 1867. That year was marked by the overthrow of the feudal system, which had long prevailed in the Empire, and the restoration of the power of the Mikado. It was considered necessary to continue the circulation of the existing paper money in order to pay the indemnities granted to the feudal lords for the